

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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Central Community Schools of Clinton County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Dona Bark	President	2006
Kurt Rickard	Vice President	2006
David Delaney	Board Member	2005
Dennis Campbell	Board Member	2007
James Irwin, Jr.	Board Member	2007
Board of Education (After September 2005 Election)		
Dona Bark	President	2006
Kurt Rickard	Vice President	2006
Larry Burken	Board Member	2008
Dennis Campbell	Board Member	2007
James Irwin, Jr.	Board Member	2007
School Officials		
Dr. Carol Hansen	Superintendent	2006
Janice Culbertson	District Secretary and Business Manager	2006
Patti Waack	District Treasurer	2006
Brian Gruhn	Attorney	2006

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Central Community Schools of Clinton County:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Central Community Schools of Clinton County, DeWitt, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Central Community Schools of Clinton County at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2006 on our consideration of the Central Community Schools of Clinton County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Members American Institute & Iowa Society of Certified Public Accountants

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 17 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Central Community Schools of Clinton County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

September 7, 2006

Management Discussion and Analysis

Central Community Schools of Clinton County District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

* On July 25, 2005, Frevert, Ramsey, Kobes was employed as the district's architect for the Master Planning Phase of the construction plans.

* On December 17, 2005, the board voted to proceed with Phase I for the High School portion of the construction. Phase I included five high school classrooms (science, computer/math and at-risk), weights/wellness addition, and high school vocal room and connecting corridor addition. Estimated cost to be: \$3,196,000 – all to be paid from the LOSST fund.

* The Board of Education voted to increase the contribution to the School Resource Officer Program from \$5,000 in FY05 to \$15,000 in FY06. \$5,000 is budgeted through the Safe and Drug Free Grant and the remaining \$10,000 is funded through the Federal Part B funding received through the AEA.

* At the September 19, 2005 board of education meeting, Mr. and Mrs. Charles Harrington were recognized for their generous contribution of approximately 44 acres of land to the school district. The land is located west of Highway 61 on Highway 30. There were no decisions on how the land will be used. A letter of agreement was reached regarding the timelines and possible uses of the land.

* On September 19, 2005, Greg Pepmeier was employed as the district's web master.

* Central Community Schools received \$71,115 in modified allowable growth for additional students open enrolled out for FY06 that were not in the enrollment count the previous year.

* Welton Elementary School was no longer an attendance center for FY06. On October 24, 2005, the board offered the building and the site to the City of Welton for \$1.00. The City of Welton did not accept the offer. In January 2006, the board voted to demolish the three story portion of the Welton Elementary School and to do the necessary remodeling of the remaining gymnasium in order for the district to use the facility and to rent it. The maximum authorized by the board for the total was \$120,000 to be paid from the PPEL fund. The board further agreed to offer the portion of the land in Welton known as Mid Park for public bid. The Central School District retained ownership of all remaining buildings and land. The land was not sold during the 2005-06 school year.

* On April 5, 2006, the three story portion of the Welton Elementary School was demolished. The attached gymnasium was left standing.

* The Central Education Foundation awarded \$23,480 to teachers for grants.

* A total of \$287,500 was approved for capital projects from the PPEL Fund for FY07.

* Ekstrand Elementary School's enrollment rose to 621 students. This was in part due to open enrollment status changes and the closing of the Welton Elementary School. The board decided to purchase a second modular classroom to be placed at Ekstrand. The classroom would be purchased from the LOSST funds. The board continued to discuss options for more space at the Ekstrand site.

* On March 15, 2006, the certified budget for FY07 was approved. Along with the budget meeting, the following personnel items were also approved for FY07: an additional second and third grade teacher, increase the part time physical education teacher to .8 FTE, a sixth grade core teacher, a middle school MD special needs teacher, and a second counselor for the high school.

* The self-funded dental/health insurance plan was terminated on June 30, 2006 after existing since July 1, 1999. The district negotiated to enter into a fully paid policy program (Alliance Select) with Wellmark. Central Community Schools was responsible for paying any claims incurred prior to June 30, 2006 and presented for payment within 90 days after that date. The ending cash balance on June 30, 2006 was \$119,195. The district will continue to self fund the dental plan through Mercer Administration.

* In September 2005, the district counted resident students. Enrollment dropped from 1,617.5 for FY05 budget to 1,588.7 for FY06 budget. The state had designated a 4% allowable growth, but with the decrease in enrollment, Central Community Schools allowable growth dropped to 1.55%.

* On June 30, 2005, Central Community School District ended the year with a negative unspent balance of \$242,279 in the General Fund. The district appeared before the School Budget Review Committee on March 20, 2006 to present a plan to eliminate a negative unspent balance and to request modified allowable growth for the 2005-06 school year in the amount of \$242,279 as part of the corrective action. The SBRC granted the request.

* On May 8, 2006 Central Community School District presented information to the School Budget Review Committee requesting GAAP Basis Budgeting Conversion Modified Allowable Growth in the amount of \$1,025,107. The SBRC granted the request.

* No decision was made regarding parking facilities at the high school by the end of the year. The board had several discussions of the options available. The City of DeWitt had indicated that a decision must be made to replace the parking spaces that were not useable due to the planned construction.

* General Fund revenues increased from \$11,607,801 in fiscal 2005 to \$11,796,626 in fiscal 2006, while General Fund expenditures decreased from \$12,097,650 in fiscal 2005 to \$12,035,678 in fiscal 2006. The District's General Fund balance decreased from \$1,334,840 in fiscal 2005 to \$1,099,448 in fiscal 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Central Community School of Clinton County as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Central Community School of Clinton County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Central Community School of Clinton County acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Central Community Schools of Clinton County Annual Financial Report

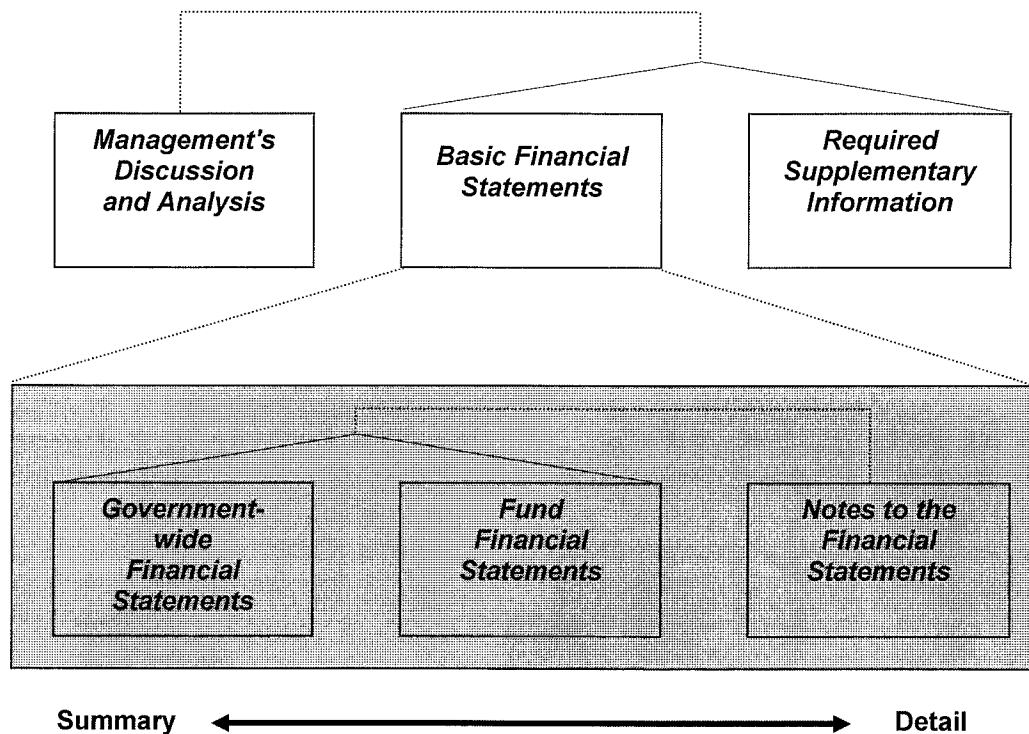


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net assets* and how they have changed. Net assets -- the difference between the District's assets and liabilities -- is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- * *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

- * *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds focusing on its most significant or "major" funds -- not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Government Funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects, and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and statements of revenues, expenditures and changes in fund balances.

2) *Proprietary Funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's internal service funds, one type of proprietary fund, are the same as its governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund account accounting for self-funded insurance.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary Funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund.

- Agency Fund - These are funds for which the District administers and accounts for certain revenues collected for the PTO, Sabertooth, and Flex funds.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at the year ended June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 11,562,046	11,006,014	48,000	28,917	11,610,046	11,034,931	5.21%
Capital assets	7,955,123	8,038,239	67,994	88,918	8,023,117	8,127,157	-1.28%
Total assets	19,517,169	19,044,253	115,994	117,835	19,633,163	19,162,088	2.46%
Long-term obligations	3,397,664	4,093,210	0	4,100	3,397,664	4,097,310	-17.08%
Other liabilities	6,334,167	5,824,233	11,489	11,358	6,345,656	5,835,591	8.74%
Total liabilities	9,731,831	9,917,443	11,489	15,458	9,743,320	9,932,901	-1.91%
Net assets:							
Invested in capital assets, net of related debt	7,862,138	6,932,803	67,994	88,918	7,930,132	7,021,721	12.94%
Restricted	602,682	646,167	0	0	602,682	646,167	-6.73%
Unrestricted	1,320,518	1,547,840	36,511	13,459	1,357,029	1,561,299	-13.08%
Total net assets	\$ 9,785,338	9,126,810	104,505	102,377	9,889,843	9,229,187	7.16%

The District's combined net assets increased by 7.16%, or \$660,656 over the prior year. The largest portion of the District's net assets is invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets decreased \$43,485 or 6.73% below the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement – decreased \$204,270 or 13.08%. This decrease in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Changes in net assets - Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

**Figure A-4
Changes of Net Assets**

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 834,420	919,207	432,687	421,233	1,267,107	1,340,440	-5.47%
Operating grants and contributions and restricted interest	1,316,051	1,318,042	249,975	248,339	1,566,026	1,566,381	-0.02%
Capital grants and contributions and restricted interest	0	5,000	0	0	0	5,000	-100.00%
General revenues:							
Property tax	4,567,138	4,389,893	0	0	4,567,138	4,389,893	4.04%
Local option sales and services tax	951,293	1,056,985	0	0	951,293	1,056,985	-10.00%
Unrestricted state grants	6,168,398	6,114,176	0	0	6,168,398	6,114,176	0.89%
Other	296,058	77,451	122	116	296,180	77,567	281.84%
Total revenues	14,133,358	13,880,754	682,784	669,688	14,816,142	14,550,442	1.83%
Program expenses:							
Governmental activities:							
Instructional	8,128,251	7,961,097	0	0	8,128,251	7,961,097	2.10%
Support services	4,009,762	4,173,681	0	0	4,009,762	4,173,681	-3.93%
Non-instructional programs	8,623	3,033	679,080	689,114	687,703	692,147	-0.64%
Other expenses	1,328,194	1,081,929	0	0	1,328,194	1,081,929	22.76%
Total expenses	13,474,830	13,219,740	679,080	689,114	14,153,910	13,908,854	1.76%
Excess(deficiency) of revenues over(under) expenditures before other financing sources(uses)	658,528	661,014	3,704	(19,426)	662,232	641,588	3.22%
Other financing sources(uses), net	0	0	(1,576)	874	(1,576)	874	280.32%
Changes in net assets	658,528	661,014	2,128	(18,552)	660,656	642,462	2.83%
Net assets beginning of year	9,126,810	8,465,796	102,377	120,929	9,229,187	8,586,725	7.48%
Net assets end of year	\$ 9,785,338	9,126,810	104,505	102,377	9,889,843	9,229,187	7.16%

Property tax, local option sales and services tax and unrestricted state grants account for 82.69% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90.08% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$14,133,358 and expenses were \$13,474,830.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 8,128,251	6,504,427
Support services	4,009,762	3,966,034
Non- instructional	8,623	7,623
Other expenses	1,328,194	846,275
Totals	<u>\$ 13,474,830</u>	<u>11,324,359</u>

* The cost financed by users of the Districts programs was \$834,420.

* Federal and state governments subsidized certain programs with grants and contributions totaling \$1,316,051.

* The net cost of governmental activities was financed with \$4,567,138 in property tax, \$951,293 in local option sales and services tax, \$6,168,398 in unrestricted state grants, \$156,306 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$682,784 and expenses were \$679,080. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the Year ended June 30, 2006, the District did increase meal prices. The meal prices will be increased for FY07 by \$.10 for breakfasts, lunches, and adult meals. Again the District will be obligating those increased revenues for replacement of obsolete kitchen equipment.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Central Community Schools of Clinton County District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,048,145, above last year's ending fund balance of \$5,018,411. However, the primary reason for the increase was receiving more in local option sales tax in the Capital Projects Fund.

Governmental Fund Highlights

- * The District's decreasing General Fund financial position is the product of many factors. The decrease in revenues, along with an increase in General Fund expenditures ensured the decrease in the financial position of the District.
- * The Capital Projects Fund balance decreased from \$2,241,376 to \$2,642,221. This was a result of an increase in local option sales and services tax.
- * The Debt Service fund balance increased during the current year, from \$646,964 to \$650,715. This was a result of anticipated bond principal and interest payments.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$102,377 at June 30, 2005 to \$104,505 at June 30, 2006, representing an increase of 2.1%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$295,412 more than budgeted revenues, a variance of 2%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were more than budgeted, primarily to the District's budget for the General Fund. There were several unplanned expenditures that could not be avoided during the year, such as special education tuitions, additional coaching requirements, increased salary over attrition, and transportation expenditures. Unfortunately, as a result of these events, the certified budget was exceeded in the support services, non-instructional programs, and other expenditures functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.28 % from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$434,183.

The original cost of the District's capital assets was \$15,267,465. Governmental funds account for \$14,952,748 with \$314,717 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$6,589,778 at June 30, 2006, compared to \$6,701,450 at June 30, 2005. This decrease resulted from current year depreciation expense. The Welton Elementary building was demolished on April 5, 2006. It was totally depreciated at the time.

Figure A-6
Capital Assets, Net of Depreciation
(Values are listed at acquisition cost)

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 586,178	586,178	0	0	586,178	586,178	0.00%
Buildings	6,589,778	6,701,450	0	0	6,589,778	6,701,450	-1.67%
Land improvements	318,027	327,784	0	0	318,027	327,784	-2.98%
Machinery and equipment	461,140	422,827	67,994	88,918	529,134	511,745	3.40%
Total	\$ 7,955,123	8,038,239	67,994	88,918	8,023,117	8,127,157	-1.28%

Note: The above assets are only the capitalized assets over \$5,000 in initial cost. These are the only assets required to be depreciated according to GASB 34 and District policy.

Debt Administration

At year-end, the District had \$1,500,000 in general obligation bonds and \$ 1,835,000 in revenue bonds outstanding. This represents a decrease of 17.1% over the previous fiscal year as can be seen in Figure A-7 below. During fiscal year 2005-06, the District had no additional debt accumulation for early retirement.

More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Total Change
	2006	2005	
General obligation bonds (Middle School)	\$ 1,500,000	1,840,000	-18.5%
Revenue Bonds (Ekstrand Addition)	1,835,000	2,095,000	-12.4%
Nutrition loan	0	4,100	100.0%
Early retirement	54,790	149,064	-63.2%
Compensated absences	7,874	9,146	-13.9%
Total	<u>\$ 3,397,664</u>	<u>4,097,310</u>	<u>-17.1%</u>

Central Community Schools did not offer the early retirement plan for 2006-07. The 2006 balance of \$54,790 will be paid during the 2006-07 school year.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

* The State has indicated the allowable growth for the upcoming year will be 4%. Since the District has been experiencing a decline in enrollment, Central received 3.4% in new money calculations for FY07. The 4% announced allowable growth for FY07 will not be adequate if our enrollment declines another year.

* Central Community Schools experienced high costs during FY06 in substitutes, energy, special education tuitions, and transportation. The balance expected at June 30, 2006 was not realized.

* Again we are into a fiscal year where there is no funding for technology from the state. The on-going costs for upgrades of software, licensing, and networking is a major expense to school districts. We are still seeking ways to fund our needs. Currently, the Title V funds are used for replacing equipment. But that is not adequate. FY07 the board decided to move \$100,000 in technology costs to the PPEL fund.

* Central Community Schools changed from self funded health/dental insurance to a policy plan through Alliance Select Wellmark. There will be a reduction in health insurance costs realized for the FY07 year.

* Construction is scheduled to begin in the summer of 2006. Phase I and Phase II of the proposed plans will be expected to be completed by August 2007. The remodeling and additions at the high school site are needed improvements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janice Culbertson, Business Manager, Administrative Offices, 100 6th Avenue, DeWitt, IA 52742.

BASIC FINANCIAL STATEMENTS

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 5,993,529	14,716	6,008,245
Receivables:			
Property tax:			
Delinquent	61,066	0	61,066
Succeeding year	4,748,805	0	4,748,805
Income surtax	339,978	0	339,978
Interfund	109,372	0	109,372
Accounts	13,728	575	14,303
Due from other governments	295,568	0	295,568
Inventories	0	32,709	32,709
Capital assets, net of accumulated depreciation(Note 5)	7,955,123	67,994	8,023,117
TOTAL ASSETS	19,517,169	115,994	19,633,163
LIABILITIES			
Interfund payable	104,760	4,612	109,372
Due to other governments	30,484	0	30,484
Accounts payable	23,269	0	23,269
Salaries and benefits payable	1,144,448	0	1,144,448
Incurred but not reported	231,480	0	231,480
Interest payable	50,921	0	50,921
Deferred revenue:			
Succeeding year property tax	4,748,805	0	4,748,805
Other	0	6,877	6,877
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds	355,000	0	355,000
Revenue bonds	275,000	0	275,000
Early retirement	54,790	0	54,790
Compensated absences	7,874	0	7,874
Portion due after one year:			
General obligation bonds	1,145,000	0	1,145,000
Revenue bonds	1,560,000	0	1,560,000
TOTAL LIABILITIES	9,731,831	11,489	9,743,320
NET ASSETS			
Investment in capital assets, net of related debt	7,862,138	67,994	7,930,132
Restricted for:			
Talented and gifted	1,711	0	1,711
Physical plant and equipment levy	230,376	0	230,376
Management levy	211,283	0	211,283
Other special revenue purposes	159,312	0	159,312
Unrestricted	1,320,518	36,511	1,357,029
TOTAL NET ASSETS	\$ 9,785,338	104,505	9,889,843

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Operating Grants, Contributions and Restricted Interest Services		Governmental Activities	Business- Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 4,746,946	180,768	714,061	(3,852,117)	0	(3,852,117)
Special instruction	1,867,997	190,620	87,670	(1,589,707)	0	(1,589,707)
Other instruction	1,513,308	450,705	0	(1,062,603)	0	(1,062,603)
	8,128,251	822,093	801,731	(6,504,427)	0	(6,504,427)
Support services:						
Student services	509,663	0	0	(509,663)	0	(509,663)
Instructional staff services	423,153	0	0	(423,153)	0	(423,153)
Administration services	1,257,243	0	0	(1,257,243)	0	(1,257,243)
Operation and maintenance of plant services	1,015,151	0	0	(1,015,151)	0	(1,015,151)
Transportation services	804,552	12,327	31,401	(760,824)	0	(760,824)
	4,009,762	12,327	31,401	(3,966,034)	0	(3,966,034)
Non-instructional:						
Food service operations	8,623	0	1,000	(7,623)	0	(7,623)
Other expenditures:						
Facility acquisitions	392,289	0	0	(392,289)	0	(392,289)
Long-term debt interest	151,868	0	0	(151,868)	0	(151,868)
AEA flowthrough	481,919	0	481,919	0	0	0
Depreciation(unallocated)*	302,118	0	0	(302,118)	0	(302,118)
	1,328,194	0	481,919	(846,275)	0	(846,275)
Total governmental activities	13,474,830	834,420	1,316,051	(11,324,359)	0	(11,324,359)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	679,080	432,687	249,975	0	3,582	3,582
Total business-type activities	679,080	432,687	249,975	0	3,582	3,582
Total	\$ 14,153,910	1,267,107	1,566,026	(11,324,359)	3,582	(11,320,777)
General Revenues:						
Property tax levied for:						
General purposes			\$ 3,841,141	0	3,841,141	
Debt services			399,586	0	399,586	
Capital outlay			326,411	0	326,411	
Local option sales and service tax			951,293	0	951,293	
Unrestricted state grants			6,168,398	0	6,168,398	
Unrestricted investment earnings			156,306	122	156,428	
Other			139,752	0	139,752	
Total general revenues			11,982,887	122	11,983,009	
Changes in net assets before capital contributions			658,528	3,704	662,232	
Other Financing Uses:						
Loss on asset disposal			0	(1,576)	(1,576)	
Changes in net assets			658,528	2,128	660,656	
Net assets beginning of year			9,126,810	102,377	9,229,187	
Net assets end of year			\$ 9,785,338	104,505	9,889,843	

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
ASSETS					
Cash and pooled investments	\$ 1,967,418	2,489,782	645,142	771,992	5,874,334
Receivables:					
Property tax					
Delinquent	47,642	0	5,773	7,651	61,066
Succeeding year	3,756,238	0	413,900	578,667	4,748,805
Income surtax	339,978	0	0	0	339,978
Interfund	109,372	0	0	0	109,372
Accounts	9,719	0	0	287	10,006
Due from other governments	143,129	152,439	0	0	295,568
TOTAL ASSETS	\$ 6,373,496	2,642,221	1,064,815	1,358,597	11,439,129
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ 0	0	0	104,000	104,000
Due to other governments	30,484	0	0	0	30,484
Accounts payable	2,900	0	200	20,169	23,269
Salaries and benefits payable	1,144,448	0	0	0	1,144,448
Deferred revenue:					
Succeeding year property tax	3,756,238	0	413,900	578,667	4,748,805
Income surtax	339,978	0	0	0	339,978
Total liabilities	5,274,048	0	414,100	702,836	6,390,984
Fund balances:					
Reserved for:					
Talented and gifted	1,711	0	0	0	1,711
Debt service	0	0	650,715	0	650,715
Unreserved:					
Undesignated	1,097,737	2,642,221	0	655,761	4,395,719
Total fund balances	1,099,448	2,642,221	650,715	655,761	5,048,145
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,373,496	2,642,221	1,064,815	1,358,597	11,439,129

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total fund balances of governmental funds (page 20)	\$ 5,048,145
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	7,955,123
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	339,978
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	(109,323)
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(50,921)
Long-term liabilities, including bonds payable, compensated absences payable, and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,397,664)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 9,785,338</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,604,923	951,293	399,586	526,135	5,481,937
Tuition	371,388	0	0	0	371,388
Other	333,534	103,160	7,902	312,162	756,758
Intermediate sources	3,332	0	0	0	3,332
State sources	7,203,485	0	0	0	7,203,485
Federal sources	279,964	0	0	0	279,964
Total revenues	11,796,626	1,054,453	407,488	838,297	14,096,864
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	4,646,152	0	0	112,196	4,758,348
Special instruction	1,879,329	0	0	4,977	1,884,306
Other instruction	1,212,376	0	0	297,881	1,510,257
	7,737,857	0	0	415,054	8,152,911
Support services:					
Student services	506,960	0	0	1,209	508,169
Instructional staff services	373,974	0	0	48,531	422,505
Administration services	1,277,195	0	0	7,919	1,285,114
Operation and maintenance of plant services	926,294	0	0	88,304	1,014,598
Transportation services	731,479	0	0	136,475	867,954
	3,815,902	0	0	282,438	4,098,340
Non-instructional:					
Food service and community service operations	0	0	0	8,341	8,341
Other expenditures:					
Facilities acquisitions	0	297,622	0	271,934	569,556
Long-term debt:					
Principal	0	0	600,000	0	600,000
Interest and fiscal charges	0	0	159,723	0	159,723
AEA flowthrough	481,919	0	0	0	481,919
	481,919	297,622	759,723	271,934	1,811,198
Total expenditures	12,035,678	297,622	759,723	977,767	14,070,790
Excess(deficiency) of revenues over(under) expenditures	(239,052)	756,831	(352,235)	(139,470)	26,074
Other financing sources(uses):					
Transfers in	0	0	355,986	0	355,986
Transfers out	0	(355,986)	0	0	(355,986)
Sale of equipment	3,660	0	0	0	3,660
Total other financing sources(uses)	3,660	(355,986)	355,986	0	3,660
Net change in fund balances	(235,392)	400,845	3,751	(139,470)	29,734
Fund balance beginning of year	1,334,840	2,241,376	646,964	795,231	5,018,411
Fund balance end of year	\$ 1,099,448	2,642,221	650,715	655,761	5,048,145

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds (page 22) \$ 29,734

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and loss on asset disposal exceeded capital outlays expenditures in the current year, as follows:

Capital expenditures	\$ 355,191	
Depreciation expense	(410,534)	
Loss on asset disposal	<u>(27,773)</u>	(83,116)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 600,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 7,855

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	\$ 94,274	
Compensated absences	<u>1,272</u>	95,546

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 36,494

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (27,985)

Changes in net assets of governmental activities (page 19) \$ 658,528

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	Business-Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
ASSETS		
Cash and cash equivalents	\$ 14,716	119,195
Accounts receivable	575	3,722
Inventories	32,709	0
Capital assets, net of accumulated depreciation (Note 5)	67,994	0
TOTAL ASSETS	115,994	122,917
LIABILITIES		
Interfund payable	4,612	760
Incurred but not reported claims	0	231,480
Deferred revenues:		
Other	6,877	0
TOTAL LIABILITIES	11,489	232,240
NET ASSETS		
Investment in capital assets	67,994	0
Unrestricted	36,511	(109,323)
TOTAL NET ASSETS	\$ 104,505	(109,323)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 432,687	1,759,005
OPERATING EXPENSES:		
Salaries	276,697	0
Benefits	49,151	1,786,924
Services	6,283	66
Supplies	322,683	0
Depreciation	23,649	0
Other	617	0
TOTAL OPERATING EXPENSES	679,080	1,786,990
OPERATING LOSS	(246,393)	(27,985)
NON-OPERATING REVENUES:		
Interest income	122	0
State sources	8,212	0
Federal sources	241,763	0
TOTAL NON-OPERATING REVENUES	250,097	0
Changes in net assets before other financing uses	3,704	(27,985)
OTHER FINANCING USES:		
Loss on asset disposal	(1,576)	0
Changes in net assets	2,128	(27,985)
Net assets at beginning of year	102,377	(81,338)
Net assets end of year	\$ 104,505	(109,323)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 426,624	0
Cash received from miscellaneous operating activities	5,511	1,755,283
Cash payments to employees for services	(325,848)	(258)
Cash payments to suppliers for goods or services	(288,207)	(1,786,230)
Net cash used in operating activities	(181,920)	(31,205)
Cash flows from non-capital financing activities:		
State grants received	8,212	0
Federal grants received	196,829	0
Net cash provided by non-capital financing activities	205,041	0
Cash flows from capital financing activities:		
Purchase of assets	(4,301)	0
Cash flows from investing activities:		
Interest on investments	122	0
Net increase(decrease) in cash and cash equivalents	18,942	(31,205)
Cash and cash equivalents at beginning of year	(4,226)	150,400
Cash and cash equivalents at end of year	\$ 14,716	119,195
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (246,393)	(27,985)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	44,934	0
Depreciation	23,649	0
Increase in inventories	(8,100)	0
Increase in accounts receivable	(575)	(3,722)
Increase in accounts payable	4,542	760
Decrease in incurred but not reported	0	(258)
Increase in deferred revenue	23	0
Net cash used in operating activities	\$ (181,920)	(31,205)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 14,716	119,195

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received federal commodities valued at \$44,934.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2006

	<u>Agency Fund</u>
ASSETS	
Cash and pooled investments	\$ 27,574
Total assets	<u>\$ 27,574</u>
LIABILITIES	
Due to other groups	\$ 27,574
Total liabilities	<u>\$ 27,574</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The Central Community Schools of Clinton County is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of DeWitt, Iowa, and the predominate agricultural territory in Clinton County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Central Community Schools of Clinton County has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Central Community Schools of Clinton County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clinton County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition of capital facilities.

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's self-funded health insurance plan.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

The Agency Fund is used to account for assets held by the District as and agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services, non-instructional programs, and other expenditures functions exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 281,582

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue, Physical Plant and Equipment Levy	\$ 104,000
General	Enterprise, School Nutrition	4,612
General	Internal Service	760
Total		\$ 109,372

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 355,986

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 586,178	0	0	586,178
Total capital assets not being depreciated	586,178	0	0	586,178
Capital assets being depreciated:				
Buildings	11,688,951	159,667	99,146	11,749,472
Land improvements	538,272	28,952	0	567,224
Machinery and equipment	2,029,339	166,572	146,037	2,049,874
Total capital assets being depreciated	14,256,562	355,191	245,183	14,366,570
Less accumulated depreciation for:				
Buildings	4,987,501	271,339	99,146	5,159,694
Land improvements	210,488	38,709	0	249,197
Machinery and equipment	1,606,512	100,486	118,264	1,588,734
Total accumulated depreciation	6,804,501	410,534	217,410	6,997,625
Total capital assets being depreciated, net	7,452,061	(55,343)	27,773	7,368,945
Governmental activities capital assets, net	\$ 8,038,239	(55,343)	27,773	7,955,123
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 313,577	4,301	3,161	314,717
Less accumulated depreciation	224,659	23,649	1,585	246,723
Business-type activities capital assets, net	\$ 88,918	(19,348)	1,576	67,994

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 17,315
Support services:	
Administrative	2,304
Operation and maintenance of plant	9,450
Transportation	79,347
	108,416
Unallocated depreciation	302,118
Total governmental activities depreciation expense	\$ 410,534
Business-type activities:	
Food service	\$ 23,649

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,840,000	0	340,000	1,500,000	355,000
Revenue bonds	2,095,000	0	260,000	1,835,000	275,000
Nutrition loan	4,100	0	4,100	0	0
Early retirement	149,064	0	94,274	54,790	54,790
Compensated absences	9,146	0	1,272	7,874	7,874
Total	\$ 4,097,310	0	699,646	3,397,664	692,664

General Obligation Bonds Payable

Details of the District's June 30, 2006 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of August 1, 2001		
		Principal	Interest	Total
2007	2.500 % \$	355,000	58,650	413,650
2008	3.000	365,000	44,437	409,437
2009	3.000	385,000	29,218	414,218
2010	3.250	395,000	12,844	407,844
Total		\$ 1,500,000	145,149	1,645,149

Revenue Bonds Payable

Details of the District's June 30, 2006 revenue bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of August 1, 2001		
		Principal	Interest	Total
2007	4.375 % \$	275,000	75,139	350,139
2008	4.375	285,000	62,890	347,890
2009	4.250	300,000	50,280	350,280
2010	4.400	310,000	37,085	347,085
2011	4.500	325,000	22,952	347,952
2012	4.600	340,000	7,820	347,820
Total		\$ 1,835,000	256,166	2,091,166

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentives for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2006, totaled \$94,274. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$418,787, \$424,966 and \$417,888, respectively, equal to the required contributions for each year.

(8) Risk Management

The District has a self-funded health, self-funded dental, and self-funded accidental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$50,000 in insured claims for any one covered individual. Settle claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was a deficit \$109,323 at June 30, 2006. The incurred but not recorded and unpaid claims liability of \$231,480 reported in the plan at June 30, 2006 based on the requirements of GASB Statement Number 10, is set up as a reserve in the fund balance.

In addition, the District is exposed to various risks to loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$481,919 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the support services, non-instructional programs, and other expenditures functions exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Type	Total	Original	Final	Actual
	Actual	Actual	Actual			Variance -
						Positive
						(Negative)
Revenues:						
Local sources	\$ 6,610,083	432,809	7,042,892	6,874,650	6,874,650	168,242
Intermediate sources	3,332	0	3,332	1,000	1,000	2,332
State sources	7,203,485	8,212	7,211,697	7,178,336	7,178,336	33,361
Federal sources	279,964	241,763	521,727	429,250	429,250	92,477
Total revenues	14,096,864	682,784	14,779,648	14,483,236	14,483,236	296,412
Expenditures:						
Instruction	8,152,911	0	8,152,911	8,671,000	8,671,000	518,089
Support services	4,098,340	0	4,098,340	3,478,410	3,478,410	(619,930)
Non-instructional programs	8,341	679,080	687,421	500,000	500,000	(187,421)
Other expenditures	1,811,198	0	1,811,198	1,784,422	1,784,422	(26,776)
Total expenditures	14,070,790	679,080	14,749,870	14,433,832	14,433,832	(316,038)
Excess(deficiency) of revenues over(under) expenditures	26,074	3,704	29,778	49,404	49,404	(19,626)
Other financing sources(uses), net	3,660	(1,576)	2,084	0	0	2,084
Excess(deficiency) of revenues and other financing sources over(under) expenditures	29,734	2,128	31,862	49,404	49,404	(17,542)
Balance beginning of year	5,018,411	102,377	5,120,788	5,045,414	5,045,414	75,374
Balance end of year	\$ 5,048,145	104,505	5,152,650	5,094,818	5,094,818	57,832

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the support services, non-instructional programs, and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2006

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total
ASSETS					
Cash and pooled investments	\$ 263,148	61,534	349,650	97,660	771,992
Receivables:					
Property tax:					
Current year delinquent	2,925	0	4,726	0	7,651
Succeeding year	200,000	0	378,667	0	578,667
Accounts	0	287	0	0	287
TOTAL ASSETS	\$ 466,073	61,821	733,043	97,660	1,358,597
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ 0	0	104,000	0	104,000
Accounts payable	0	169	20,000	0	20,169
Deferred revenue:					
Succeeding year property tax	200,000	0	378,667	0	578,667
Total liabilities	200,000	169	502,667	0	702,836
Unreserved fund balances	266,073	61,652	230,376	97,660	655,761
TOTAL LIABILITIES AND FUND BALANCES	\$ 466,073	61,821	733,043	97,660	1,358,597

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total
REVENUES:					
Local sources:					
Local tax	\$ 199,724	0	326,411	0	526,135
Other	8,020	296,420	5,276	2,446	312,162
TOTAL REVENUES	207,744	296,420	331,687	2,446	838,297
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	112,196	0	0	0	112,196
Special instruction	4,977	0	0	0	4,977
Other instruction	3,393	294,488	0	0	297,881
Support services:					
Student services	1,209	0	0	0	1,209
Instructional staff services	913	265	47,353	0	48,531
Administration services	6,919	0	0	1,000	7,919
Operation and maintenance of plant services	88,304	0	0	0	88,304
Transportation services	23,451	0	113,024	0	136,475
Non-instructional:					
Food service and community service operations	5,341	0	0	3,000	8,341
Other expenditures:					
Facilities acquisition	0	0	271,934	0	271,934
TOTAL EXPENDITURES	246,703	294,753	432,311	4,000	977,767
Excess(deficiency) of revenues over(under) expenditures	(38,959)	1,667	(100,624)	(1,554)	(139,470)
Fund balance beginning of year	305,032	59,985	331,000	99,214	795,231
Fund balance end of year	\$ 266,073	61,652	230,376	97,660	655,761

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activity tickets	\$ 468	2,240	30	2,678
Interest	567	193	0	760
MS drama	1,082	341	520	903
D.A.R.E.	1,793	0	1,479	314
MS vocal music	395	2,503	8	2,890
MS instrumental music	640	3,041	3,117	564
MS student council	280	2,149	1,422	1,007
MS general athletics	107	3,603	3,373	337
MS boys basketball	656	1,730	2,035	351
MS boys football	15	678	692	1
MS boys track	134	522	123	533
MS cross country	191	0	191	0
MS boys wrestling	50	1,647	1,696	1
MS girls basketball	81	951	1,030	2
MS girls volleyball	3,682	1,047	4,627	102
MS girls track	533	608	827	314
MS yearbook	5,493	2,856	5,412	2,937
MS student building project	314	218	116	416
MS concessions	1,082	10,825	4,233	7,674
HS drama	6,414	1,578	936	7,056
HS speech	449	1,056	1,116	389
Baseball concessions	1,206	0	0	1,206
HS vocal music	2,843	7,927	6,639	4,131
HS instrumental music	18,831	32,637	35,691	15,777
HS musicals	1,219	4,838	2,220	3,837
HS industrial technology	(1,685)	11,112	9,427	0
HS FFA	(2,374)	31,244	28,008	862
HS food production	50	803	527	326
HS national honor society	1,771	1,745	1,498	2,018
HS student council	1,748	3,982	2,705	3,025
HS art club	258	0	258	0
HS SADD	767	0	0	767
HS class of 2009	0	195	30	165
HS class of 2006	2,512	252	2,764	0
HS class of 2007	463	10,295	7,391	3,367
HS class of 2008	125	465	19	571
HS general athletics	745	21,266	21,998	13
HS boys basketball	126	13,195	13,310	11
HS boys football	135	26,120	26,245	10

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS boys soccer	97	4,225	4,322	0
HS boys baseball	(3,660)	8,838	4,888	290
HS boys track	(295)	4,800	4,500	5
HS cross country	109	450	549	10
HS boys golf	70	186	253	3
HS boys wrestling	21	7,152	7,173	0
HS girls basketball	608	7,026	7,627	7
HS girls volleyball	(97)	7,298	7,198	3
HS girls soccer	30	2,580	2,604	6
HS girls softball	1,535	9,673	11,371	(163)
HS girls track	(122)	2,608	8,332	(5,846)
HS girls golf	18	200	212	6
HS yearbook	1,353	27,734	30,876	(1,789)
HS cheerleading	1,709	2,413	2,409	1,713
HS central sensations dance	971	1,892	1,650	1,213
Ekstrand special olympics	113	1,325	1,438	0
Ekstrand student council	2,338	196	1,655	879
Ekstrand resale	0	3,962	3,962	0
Welton library	933	0	933	0
Welton student council	1,088	0	1,088	0
Total	\$ 59,985	296,420	294,753	61,652

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
BALANCE SHEET
SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
JUNE 30, 2006

	Paarman Trust
ASSETS	
Cash and pooled investments	\$ 97,660
TOTAL ASSETS	<u>\$ 97,660</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	<u>\$ 0</u>
Unreserved fund balance	<u>97,660</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 97,660</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2006

	<u>Paarman Trust</u>
REVENUES:	
Local sources:	
Interest on investments	<u>\$ 2,446</u>
EXPENDITURES:	
Instruction:	
Scholarships	<u>4,000</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,554)
FUND BALANCE BEGINNING OF YEAR	<u>99,214</u>
FUND BALANCE END OF YEAR	<u><u>\$ 97,660</u></u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2006

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 21,070	135,013	128,509	27,574
LIABILITIES				
Due to other groups	\$ 21,070	135,013	128,509	27,574

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2006	2005	2004	2003
Revenues:					
Local sources:					
Local tax	\$	5,481,937	5,446,878	5,482,019	5,360,998
Tuition		371,388	370,479	423,082	355,520
Other		756,758	628,988	742,359	588,857
Intermediate sources		3,332	6,847	923	8,048
State sources		7,203,485	7,095,910	6,855,614	7,003,749
Federal sources		279,964	328,961	381,623	300,703
Total		\$ 14,096,864	13,878,063	13,885,620	13,617,875
Expenditures:					
Instruction:					
Regular instruction	\$	4,758,348	4,844,291	4,895,670	4,746,638
Special instruction		1,884,306	2,194,872	2,258,272	2,091,897
Other instruction		1,510,257	1,086,120	1,121,948	980,180
Support services:					
Student services		508,169	523,889	511,424	460,749
Instructional staff services		422,505	397,983	398,076	384,842
Administration services		1,285,114	1,409,492	1,328,615	1,273,183
Operation and maintenance of plant services		1,014,598	969,635	879,635	890,164
Transportation services		867,954	651,042	621,878	609,312
Other support services		0	0	85,835	80,959
Non-instructional programs		8,341	1,136	6,516	4,172
Other expenditures:					
Facilities acquisitions		569,556	361,492	179,475	1,374,484
Long-term debt:					
Principal		600,000	575,000	550,000	430,000
Interest and fiscal charges		159,723	182,884	205,115	222,374
AEA flow-through		481,919	473,224	472,520	503,865
Total		\$ 14,070,790	13,671,060	13,514,979	14,052,819

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATIONS (non-cash)	10.550	FY 06	<u>44,813</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 06	29,255
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 06	158,314
SPECIAL MILK	10.556	FY 06	850
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 06	<u>575</u>
			<u>188,994</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 06	<u>7,956</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	FY 06	<u>107,466</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 06	<u>4,168</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 06	<u>5,875</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 05	6,825
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 06	<u>49,836</u>
			<u>56,661</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 06	<u>9,294</u>

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED):			
DEPARTMENT OF EDUCATION (CONTINUED):			
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 06	<u>87,670</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 06	<u>2,934</u>
SUPPORTING SCHOOLS IN EMERGENCY RESPONSE AND CRISIS MANAGEMENT	84.184E	FY 06	<u>720</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
AREA EDUCATION AGENCY:			
HURRICANE KATRINA RELIEF	93.776	FY 06	<u>12,000</u>
TOTAL			<u><u>\$ 528,551</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Central Community Schools of Clinton County and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Central Community Schools of Clinton County:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Central Community Schools of Clinton County as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 7, 2006, which was qualified because of the lack of capital assets. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central Community Schools of Clinton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Community Schools of Clinton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain

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immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Central Community Schools of Clinton County and other parties to whom Central Community Schools of Clinton County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Central Community Schools of Clinton County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

September 7, 2006

NOLTE, CORNMAN & JOHNSON P.C.

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Central Community Schools of Clinton County:

Compliance

We have audited the compliance of Central Community Schools of Clinton County with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Central Community Schools of Clinton County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Central Community Schools of Clinton County's management. Our responsibility is to express an opinion on Central Community Schools of Clinton County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Community Schools of Clinton County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Central Community Schools of Clinton County's compliance with those requirements.

In our opinion, Central Community Schools of Clinton County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

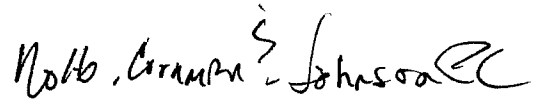
The management of Central Community Schools of Clinton County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Central Community Schools of Clinton County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

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relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Central Community Schools of Clinton County and other parties to whom Central Community Schools of Clinton County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be use by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson". The signature is stylized and cursive.

NOLTE, CORNMAN & JOHNSON, P.C.

September 7, 2006

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies

Clustered Programs:

 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.556 - Special Milk
 - CFDA Number 10.559 - Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Central Community Schools of Clinton County qualified as a low-risk auditee.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person in the Student Activity fund.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-06 Checks Outstanding - We noted during our audit that the District had checks included in the General Fund bank reconciliation which have been outstanding for over one year.

Recommendation - The District should research the outstanding checks to determine if they should be re-issued, voided or submitted to the Treasurer of Iowa as unclaimed property. If the checks are unclaimed property then per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - We have tried to contact the persons the checks are written out to. The ones that we cannot get cashed we will send to the state by November 1st.

Conclusion - Response accepted.

II-C-06 Purchase Orders - We noted during our audit that 19% of purchase orders tested in the General Fund were dated after the invoices. Purchase orders are typically used to document approval prior to the purchase as well as documenting which account will be paying for the invoice.

Recommendation - The District should ensure that purchase procedures are followed. The purchase order when properly completed provides a document which shows authorization of order and which line item account will be affected. By properly using the purchase order system, the District may be able to more easily track budgeted expenditures and encumbered amounts toward the specific items.

Response - This has been a concern of the administration also. We are implementing procedures to stop this practice. Any packages received without the proper purchase orders are being held in the central office until paperwork is completed. The incidence of this happening has declined considerably since implementation of the new practice.

Conclusion - Response accepted.

II-D-06 Student Activity Fund - We noted during our audit that the Student Activity Fund included an interest account. The interest in this account did not appear to be allocated to the individual accounts within the Activity Fund at least on a yearly basis.

Recommendation - The interest earned each year should be allocated out at on an annual basis to the individual activity accounts.

Response -We would prefer to continue reserving the interest in one account rather than splitting it into each of the activity programs. Many of the programs run a negative balance and funds are transferred at the end of the year to balance out the totals. The interest account is maintained by the central administration and is requisitioned for use just as any other budget is. It is also used for the expenses that serve the whole activity program such as checks, deposit forms, etc.

Conclusion - Response accepted.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program
CFDA Number 10.556 - Special Milk
CFDA Number 10.559 - Summer Food Service Program for Children
Federal Award Year 2006
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-06 Free and Reduced Lunch Applications - We noted during the audit that one of the free and reduced lunch applications was marked as reduced and should have been marked as denied.

Recommendation - The District should review the procedures in place for filing free and reduced lunch applications to ensure that the applications are filed correctly. The District should contact the Department of Education to correct the necessary reports.

Response - We will review applications more carefully in the future to make sure they are marked properly.

Conclusion - Response accepted.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part IV: Other Findings Related to Statutory Reporting

IV-A-06 Certified Budget - District disbursements for the year ended June 30, 2006 exceeded the amount budgeted in the support services, non-instructional, and other expenditures program areas.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will monitor the totals more closely and amend timely when needed.

Conclusion - Response accepted.

IV-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rogena Owens, teacher Spouse owns DeWitt Cleaners	Cleaning uniforms	\$1,715
Trish Thayer, teacher Spouse is manager of The Office Center	Office equipment and supplies	\$23,291
Diane and William Prichard, teachers Owners of Opera house Theatre	Rent	\$1,422
Madonna Schlotfeldt, food service	Cakes for reception	\$259
Bev Boussetot, teacher Spouse is co-owner of Scott Drugstore	Film and supplies	\$99
Rodney Wold, bus driver Owner of Wold's Petro Shop	Tire repairs	\$199

In accordance with the Attorney General's opinion dated November 9, 1976, above transactions with the spouses of the District's employees do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the owners of businesses do not appear to represent a conflict of interest.

- IV-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.